

Michigan Department of Civil Service

REGULATION

Appointing Authority Letter Reference: CS-6940	Effective Date: March 18, 2001	Index Reference: Recovery of Over-Compensation	Regulation Number: 5.16
Issuing Bureau: Human Resource Services	Rule Reference: Rule 5-3 (Compensation Schedules)		Replaces: Reg. 5.01 (CS-6374, January 1, 1982)
Subject: RECOVERY OF OVER-COMPENSATION			

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1. **PURPOSE**

This regulation establishes standards and guidelines for the recovery of money when an employee has been over-compensated.

2. **CIVIL SERVICE RULE REFERENCE**

Rule 5-3 Compensation Schedules

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5-3.9 Approval and Disapproval of Disbursements for the Classified Payroll

The state personnel director shall certify each payroll for the classified service. Payroll certification is based on computerized payroll system edits of payroll calculations and personnel transactions and the audit of personnel transactions for compliance with civil service rules and regulations. The director shall establish edit requirements and audit procedures. The director may delete from the payroll any item that cannot be certified under this rule and shall give notice of the action, together with the reason for the action, to the appointing authority concerned.

3. **STANDARDS**

A. Over-compensation of a classified employee may result from the following:

1. **Processing or Rule or Regulation Interpretation Error** — If an employee has been over-compensated as a result of an error, the agency must recover, or may be ordered by the Department of Civil Service to recover, the over-compensation within the following provisions:
 - a. All necessary action must be taken to recover improperly paid wages.
 - b. The appointing authority must notify the employee of the error and the actions required for correction.
 - c. Employees must immediately notify the employer of any over-payment.
 - d. The liability of the employee to repay is limited to 26 pay periods (before the date of notice to the employee).
 - e. The appointing authority must provide repayment plans that avoid undue financial hardship for the employee when appropriate by allowing repayment over a reasonable period of time but not more than one year.
 - f. If it is not cost effective to recover the overcompensation, the appointing authority may request a waiver from the Compensation Division, Department of Civil Service.
 - g. Documentation must be retained for three years by the appointing authority and the Department of Civil Service.

2. Employee Misrepresentation — If an employee has been improperly compensated as a result of misrepresentation or fraud on the part of the employee, the enforcement action will be directed to correction of the transaction and full recovery of the over-compensation. Examples of this are false credentials or manipulation of the payroll system for personal gain. When preliminary review indicates the suspicion of fraud or misrepresentation, the agency is advised to request an investigation by the Department of Attorney General and Office of the Auditor General. Action taken under this section must be based on the results of the investigation.

B. If the employee has left state service, the appointing authority should take any steps practicable to recover overcompensation.

C. This regulation does not apply to situations of under-compensation in which action must be taken to make necessary corrective payment to the employee under civil service regulations and any contractual provisions for compensation.

CONTACT

Questions regarding this regulation should be directed to the Department of Civil Service, P.O. Box 30002, 400 South Pine Street, Lansing, Michigan 48909, (517) 335-7862 or (517) 373-7618, or MDCS-BHRS@state.mi.us.

NOTE: Regulations are issued by the State Personnel Director under authority granted in the State of Michigan *Constitution* and the *Michigan Civil Service Commission Rules*. Regulations that implement Commission Rules are subordinate to those Rules.